

Finance Committee Minutes

January 8th 2015

A joint meeting with the Finance Committee and the Selectmen of the Town was held on Thursday January 8th 2015. Present were Mr. John Pshenishny, Mr. Mark Carson, Mr. Burt Imberman, Mr. Ira Yohalem, Mr. David Herrick, Mrs. Prudence Spaulding, Mr. Nathaniel Yohalem, Mrs. Michele Shalaby, Ms. Tara White and Mr. Joseph Kellogg.

The meeting was called to order by Chairman Herrick at 7:07 PM, Minutes for the last meeting on August 25th 2014 were circulated and approved with amendments. Imberman 1st, Mr. Pshenishny 2nd passed unanimously.

The purpose of the meeting was to put in place some new methods of constructing the yearly budget, some policies that would impact this method and the creation of some new accounts, such as stabilization accounts for specific items, such as fire trucks, highway trucks, and police vehicles and a review of the Reserve Fund.

In the past years the Finance Committee has reviewed and approved budgets and only at the end of the process adding up the amounts has the budget been evaluated in terms of being under the 2 ½ percent increase allowed by law. Mrs. Shalaby reported that the Capital Planning Committee recommended that the budget be revenue based. Mr. Kellogg brought in a spread sheet which provided the members of both the Finance Committee as the Select Board with the various amounts expected in 2016 to be gained from taxation, non-taxation revenue and available funds the total being for 2016. This same spread sheet showed the various expected expenditures to date. This spread sheet should prove of great value to the members of both committees.

Some items contributing to the budget needed to be established prior to the process of reviewing each account. The school budget, which amounts to about half the total budget, needs to be evaluated. There is a suggestion that the town needs to provide some parameters to the school finance committee so that it will

make its budget in accordance with these parameters. The number of children attending not only SBRSD as well as the other schools in the area is declining. The school needs to take this into account, and cut its expenses accordingly. Mrs. Shalaby noted that Lee and Lenox were without superintendents and discussing sharing a superintendent. She hoped that Berkshire Hills Regional School District and Southern Berkshire Regional School District will eventually join with Lee and Lenox making a large regional school district. To date they have been resistant to this idea, however with the drop in the number of students this is something they need to consider for the education of the future students, and the future tax payers! By sharing some of the administrative staff competition for choice students would be eliminated and some the buildings that would become vacant could go back on the tax rolls, or be put to other uses (i.e. affordable housing or homes for the elderly!) The committee discussed how to arrive at the figure to be given to the School's Finance Committee. Mr. Nathaniel Yohalem asked if he could be given a little more time to consider the number and will present it in about two weeks. Mrs. Shalaby stated that it might be helpful for the school to have this number as soon as possible since they are at present working on the school budget.

Of course money for the large items that the school wants to replace, the roof and the boilers will require an override of 2 ½. The school is requesting a special town meeting to present their bond issue to the voters and to get their approval for supporting the bond to cover the costs. The proposed school bond of \$4,638,000 which on a 10 year bond with an expected 3% interest, the town's share (present assessment of 20.8 %) would be \$128,756 for the FY2016. Once the School Committee has passed this bond proposal the town has 60 days to have a town meeting to have it pass. If the bond does not get approved the school may well present it again at the regular town meeting hoping that it will get approved then! But again the changing of the heating system and the replacement of the roof (to last 20 years) for a school whose population is declining is questionable.

And now our town is trying to prepare its budget so that it does not exceed 2 ½!

The whole subject of the debt limit was discussed. Large items such as highway trucks, fire trucks are paid for over five or ten years. Planning for these large ticket items that generate debts might be more effective if the town could plan on the different large items needed and schedule their purchase. Again there was discussion about setting up a specific stabilization account to cover these items individually or collectively, and put funds into the accounts so that the debt service could be reduced. For instance when the new fire truck arrives the old one will be sold, and that money could be deposited into an account earmarked for the next fire truck. Last July 2nd the town sold of a piece of land under tax title provisions. The amount was \$380,000. The money must remain fluid for a year in case the original owners decide to reclaim the land and pay the needed money so to do. Once the year has passed this money can go into Free Cash. But Ms. White stated that perhaps the DOR will allow it to go into free cash two days before the next fiscal year begins. The use of this money and the money in Free Cash needs to be evaluated. In fact a policy for the use of Free Cash should be developed. Ms. White stated that there might be other tax title sales and again a policy should be formulated as to how to spend this money. This income might be considered when establishing specific stabilization accounts for large ticket items. Ms. Shalaby stated that the Capital Planning Committee needs to now work to establish a schedule of large ticket items so that better planning could take place.

Discussing large ticket items the question of bridges was brought up. The state is requiring further engineering studies on the Clayton-Mill River Bridge so that the \$180,000 put away for its repair out of Free Cash at the last town meeting may have to be augmented, but this is still not known. The Southfield Bridge does not belong to the town and when repairs are needed the state will have to do them. It will remain a one-way bridge until that happens,

There was a brief discussion about the use of the Reserve Account. While it has been left with a healthy balance this past year, Mrs. Spaulding said that over the years most of the \$50,000 amount has been needed. A study of the prior uses of this account might be informative and allow the Finance Committee to decide if the amount should be increased or decreased.

In closing the group decided to explore establishing stabilization funds for specific uses and the policies that govern these uses; the presentation of a desired school budget to the School Committee's Finance Committee; the establishment of a specific percentage of the total budget allotted to the debt service; and the establishment of a percentage of the total budget be allotted to Free Cash and the use of the Free Cash.

There was a brief discussion about the raises to be given to employees in the next fiscal year. The Select board suggested a 1.7% increase which is tied to the cost of living amount. Last year the raise was 2%. Mr. Kellogg offered to check with the local towns and see what they were offering their staff. He will then provide the Committees with the gross amount of 1.7% and 2. % so that the Committees will know how much money is involved. Mr. Yohalem reminded the group that some of the employees were working under contracts that will expire with the fiscal year and the renewal will involve a raise which needs to be calculated with the other raises. Mr. Kellogg took note of this.

A motion to adjourn the meeting at 8:55PM was made by Mr. Imberman 1st, Mr. Carson 2nd and passed unanimously. The next meeting will be Thursday January 15th at 7:00PM when the review of the budgets in hand will commence.

Respectfully submitted,

Prudence Spaulding

Secretary